

EAST ASIAN GROWTH BASKET LIMITED

Report and Financial Statements

For the year ended 30 September 2014

EAST ASIAN GROWTH BASKET LIMITED

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EAST ASIAN GROWTH BASKET LIMITED

REPORT AND FINANCIAL STATEMENTS GENERAL INFORMATION

DIRECTORS:	C Hickling J Lewis D Stephenson
ADMINISTRATOR, SECRETARY, CUSTODIAN AND REGISTRAR:	Praxis Fund Services Limited PO Box 296 Sarnia House Le Truchot St Peter Port Guernsey GY1 4NA
INVESTMENT ADVISER:	Investec Corporate and Institutional Banking 36 Hans Strijdom Avenue Foreshore Cape Town 8001 South Africa
REGISTERED OFFICE:	Sarnia House Le Truchot St Peter Port Guernsey GY1 4NA
AUDITOR:	Saffery Champness PO Box 141 La Tonnelle House Les Banques St Sampson Guernsey GY1 3HS
BANKERS:	Investec Bank (Channel Islands) Limited PO Box 188 Gategny Court Gategny Esplanade St Peter Port Guernsey GY1 3LP
COMPANY REGISTRATION NO:	44743

EAST ASIAN GROWTH BASKET LIMITED

REPORT OF THE DIRECTORS

For the year ended 30 September 2014

The Board of Directors presents its report and the audited financial statements ("the financial statements") for the year ended 30 September 2014.

Principal Activity

The principal activity of the Company is investment holding.

The Company is a Guernsey authorised closed-ended investment scheme and is subject to the Authorised Closed-Ended Investment Scheme Rules 2008.

At an Extraordinary General Meeting of the Company held on 14 December 2011, shareholders approved a special resolution to extend the life of the Company for a further period of 5 years and 6 months from the Company's termination date of 26 January 2012. Under the terms of the Company's new prospectus, which replaced the old prospectus with effect from 26 January 2012, in the absence of a special resolution to extend the life of the Company, the Company's shares will be redeemed and the Company will terminate on 26 July 2017.

Results and Dividends

The statement of comprehensive income is set out on page 7. The Directors do not propose a dividend for the year (2013: Nil).

Directors

The Directors of the Company during the year and to the date of this report are detailed below.

C Hickling

J Lewis

D Stephenson

No Director had any beneficial interest in the shares of the Company.

Statement of Directors' Responsibilities

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report, which complies with the requirements of The Companies (Guernsey) Law, 2008.

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with The Companies (Guernsey) Law, 2008. The Directors have chosen to prepare financial statements for the Company in accordance with International Financial Reporting Standards (IFRSs).

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

EAST ASIAN GROWTH BASKET LIMITED

REPORT OF THE DIRECTORS (continued)

For the year ended 30 September 2014

Statement of Directors' Responsibilities (continued)

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware;
- each Director has taken all the steps he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information;
- the financial statements give a true and fair view and have been prepared in accordance with International Financial Reporting Standards and with The Companies (Guernsey) Law, 2008 and the Protection of Investors (Bailiwick of Guernsey) Law, 1987.

Auditor

A resolution to re-appoint Saffery Champness as auditor will be put to the members at the Annual General Meeting.

By Order of the Board

Janine Lewis

Director

24 February 2015

INDEPENDENT AUDITOR'S REPORT

To the members of East Asian Growth Basket Limited

We have audited the financial statements of East Asian Growth Basket Limited (the "Company") for the year ended 30 September 2014, which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and related notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

This report is made solely to the Company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on pages 4 and 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the United Kingdom Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view;
- are in accordance with International Financial Reporting Standards; and
- comply with The Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the company;
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

SAFFERY CHAMPNESS

Chartered Accountants

Guernsey

24 February 2015

EAST ASIAN GROWTH BASKET LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2014

	Notes	2014 AUD	2013 AUD
REVENUE			
Interest income	5	23,642	49,024
GAINS ON INVESTMENTS			
Investments at fair value through profit and loss	6	671,178	1,395,559
		<u>694,820</u>	<u>1,444,583</u>
Operating expenses	8	(338,982)	(350,999)
PROFIT FOR THE YEAR		<u>355,838</u>	<u>1,093,584</u>
Profit per share			
Basic and diluted earnings per ordinary share	9	<u>17.01</u>	<u>52.27</u>
OTHER COMPREHENSIVE INCOME			
Unrealised gain on available-for-sale investments	7	1,219,595	736,668
Total other comprehensive income for the year		<u>1,219,595</u>	<u>736,668</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,575,433</u>	<u>1,830,252</u>

All of the Company's revenue and expenses derive from continuing operations.

The notes on pages 11 to 20 are an integral part of these financial statements.

EAST ASIAN GROWTH BASKET LIMITED

STATEMENT OF FINANCIAL POSITION

At 30 September 2014

	Notes	2014 AUD	2013 AUD
NON-CURRENT ASSETS			
Investments at fair value through profit and loss	6	5,848,252	5,177,074
Available-for-sale investments	7	17,917,403	16,697,808
		<u>23,765,655</u>	<u>21,874,882</u>
CURRENT ASSETS			
Trade and other receivables	10	118,690	155,035
Long-term fixed deposits		500,000	1,000,000
Cash and cash equivalents		412,990	178,565
		<u>1,031,680</u>	<u>1,333,600</u>
CURRENT LIABILITIES			
Trade and other payables	11	(12,943)	(11,725)
NET CURRENT ASSETS			
		<u>1,018,737</u>	<u>1,321,875</u>
NON-CURRENT LIABILITIES			
Trade and other payables	11	(47,019)	(34,817)
NET ASSETS			
		<u>24,737,373</u>	<u>23,161,940</u>
CAPITAL AND RESERVES			
Share capital	12	298	298
Share premium	13	27,366,190	27,366,190
Revaluation reserve	14	4,452,749	3,233,154
Retained earnings		(4,223,750)	(4,579,588)
Translation reserve		(2,858,114)	(2,858,114)
EQUITY SHAREHOLDERS' FUNDS			
		<u>24,737,373</u>	<u>23,161,940</u>
Number of fully paid ordinary shares		20,922.691	20,922.691
Net Asset Value per ordinary share		AUD 1,182.32	AUD 1,107.02

The financial statements were approved by the Board and authorised for issue on 24 February 2015 and signed on its behalf by:

Janine Lewis
Director

The notes on pages 11 to 20 are an integral part of these financial statements.

EAST ASIAN GROWTH BASKET LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2014

	Management Shareholders	Ordinary Shareholders				Translation reserve AUD	Total AUD
	Share Capital AUD	Share Capital AUD	Share Premium AUD	Revaluation reserve AUD	Retained earnings AUD		
At 30 September 2012	13	285	27,385,979	2,496,486	(5,673,172)	(2,858,114)	21,351,477
Launch costs capitalised	-	-	(19,789)	-	-	-	(19,789)
Net gain for the year	-	-	-	-	1,093,584	-	1,093,584
Revaluation of available for sale investments (see note 7,14)	-	-	-	736,668	-	-	736,668
At 30 September 2013	13	285	27,366,190	3,233,154	(4,579,588)	(2,858,114)	23,161,940
Net gain for the year	-	-	-	-	355,838	-	355,838
Revaluation of available-for-sale investments (see notes 7,14)	-	-	-	1,219,595	-	-	1,219,595
At 30 September 2014	13	285	27,366,190	4,452,749	(4,223,750)	(2,858,114)	24,737,373

The notes on pages 11 to 20 are an integral part of these financial statements.

EAST ASIAN GROWTH BASKET LIMITED

STATEMENT OF CASH FLOWS

For the year ended 30 September 2014

	Notes	2014 AUD	2013 AUD
Operating gain for the year		355,838	1,093,584
Adjustments for:			
Interest income		(23,642)	(49,024)
Gain on investments at fair value through profit and loss	6	(671,178)	(1,395,559)
Decrease/(increase) in trade and other receivables		1,659	(6,645)
Increase in trade and other payables		13,420	28,378
Net cash outflow from operating activities		(323,903)	(329,266)
Cash flows from investing activities			
Bank interest		58,328	13,712
Transfer from/(to) long-term fixed deposits	6	500,000	(1,000,000)
Net cash inflow/(outflow) from investing activities		558,328	(986,288)
Cash flows from financing activities			
Capitalised launch costs	13	-	(19,789)
Net cash outflow from financing activities		-	(19,789)
Increase/(decrease) in cash and cash equivalents for the year		234,425	(1,335,343)
Cash and cash equivalents at the beginning of the year		178,565	1,513,908
Cash and cash equivalents at the end of the year		412,990	178,565

The notes on pages 11 to 20 are an integral part of these financial statements.

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements of East Asian Growth Basket Limited, with domicile in Guernsey, have been prepared in accordance with International Financial Reporting Standards ('IFRS').

Going concern

The financial statements have been prepared on a going concern basis.

Adoption of new and revised Standards

The following new or amended standards have been applied in these financial statements:

- IFRS 7 (amended), 'Financial Instruments: Disclosures' (effective for periods commencing on or after 1 January 2013);
- IFRS 13, 'Fair Value Measurement' (effective for periods commencing on or after 1 January 2013);
- IAS 28, 'Investments in Associates', reissued as 'Investments in Associates and Joint Ventures' (effective for periods commencing on or after 1 January 2013);

In addition the IASB completed its Annual Improvements 2009-2011 Cycle, which amended a number of existing standards and interpretations effective for accounting periods commencing on or after 1 January 2013.

New, revised and amended standards and interpretations not yet adopted

At the date of authorisation of these Financial Statements, the following standards and interpretations, which have not been applied in these Financial Statements, were in issue but not yet effective:

- IAS 27 (amended), "Separate Financial Statements" (various amendments effective for periods commencing on or after 1 January 2014 and 1 January 2016);
- IAS 28 (amended), "Investments in Associates and Joint Ventures" (effective for periods commencing on or after 1 January 2016);
- IAS 32 (amended), "Financial Instruments: Presentation" (effective for periods commencing on or after 1 January 2014);
- IFRS 7 (amended), "Financial Instruments: Disclosures" (various amendments effective for periods commencing on or after 1 January 2015);
- IFRS 9, "Financial Instruments - Classification and Measurement" (effective for periods commencing on or after 1 January 2018);
- IFRS 10 (amended), "Consolidated Financial Statements" (various amendments effective for periods commencing on or after 1 January 2014 and 1 January 2016);
- IFRS 11 (amended), "Joint arrangements" (effective for periods commencing on or after 1 January 2016);
- IFRS 12, "Disclosure of Interest in Other Entities" (effective for periods commencing on or after 1 January 2014);
- IFRS 15, "Revenue from Contracts with Customers" (effective for periods commencing on or after 1 January 2016).

In addition the IASB has completed its Annual Improvements 2010-2012 Cycle, Annual Improvements 2011-2013 Cycle and September 2014 Annual Improvements projects. These projects will amend a number of existing standards and interpretations effective for accounting periods commencing on or after 1 July 2014 and 1 January 2016.

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

1. PRINCIPAL ACCOUNTING POLICIES (continued)

New, revised and amended standards and interpretations not yet adopted (continued)

The Directors believe that none of these standards and interpretations will have an effect on the financial statements of the Company, with the exception of IFRS 9 “Financial Instruments – Classification and Measurement” which is not expected to significantly affect the financial position of the Company but may require additional disclosure in future financial statements.

Revenue recognition

Revenue includes bank interest and other income and is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company and the revenue can be measured reliably. Revenues are accounted for on an accruals basis.

Expenses

Expenses are accounted for on an accruals basis. All expenses are charged to the Statement of Comprehensive Income, except for expenses incurred in relation to the launch of the Company, which have been charged against share premium.

Foreign exchange

Foreign currency assets and liabilities are translated into Australian Dollars ('AUD') at the rate of exchange ruling on the year end date. Foreign currency transactions are translated into AUD at the rate of exchange ruling on the date of the transaction. Foreign exchange gains and losses are included in the statement of comprehensive income in the period in which they arise.

Gains and losses resulting from a change in the functional currency are recognised in other comprehensive income and are taken to the translation reserve.

Investments

The Company's option investments are designated as investments at fair value through profit or loss.

The Company's bond investments are classified as available-for-sale investments.

All investments are measured initially at cost, which is the fair value of whatever was paid to acquire them. Transaction costs are expensed as incurred in the statement of comprehensive income. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

After initial recognition, the Company uses the following measurement bases for its investments:

- i) Held-for-trading investments and those so designated at inception: Fair value through profit and loss;
- ii) Available-for-sale investments: Fair value through equity.

Fair value is the price at which an orderly transaction to sell the investment would take place between market participants at the measurement date, in the principal or most advantageous market for the asset. It may be calculated using quoted market prices, independent appraisals, discounted cash flow analysis or other appropriate valuation models at the year end date. Gains arising on the disposal of investments are recognised in the statement of comprehensive income, as are unrealised gains on investments at fair value through profit and loss. Unrealised gains on available-for-sale investments are recognised in other comprehensive income. All gains or losses are recognised in the period in which they arise. Prior year revaluation gains on available-for-sale investments disposed of during the year are recycled through the income statement in the period in which the investments are disposed of.

Cash and cash equivalents

Cash and cash equivalents comprises bank balances and short term deposits with an original maturity of three months or less. Deposits with an original maturity of greater than three months are classified as long-term fixed deposits.

Trade and other receivables

Trade receivables are stated at amortised cost less any impairment.

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Trade payables

Trade payables are stated at amortised cost less an allowance for non-recovery where there is evidence of impairment.

Taxation

The Company is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and is charged an annual exemption fee of £600 (£1,200 with effect from calendar year 2015).

2. SEGMENT REPORTING

The Board of Directors considers that the Company is engaged in a single segment of business, being the holding of investments. The Board considers that it is the Company's Chief Operating Decision Maker.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results could differ from such estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate was revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The most critical judgements that management has made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in the financial statements relate to the carrying value of the available-for-sale investments and the investments designated to be at fair value through profit or loss (see note 1).

4. SIGNIFICANT AGREEMENTS

The following significant agreements have been entered into by the Company:

Administration, Custodian and Secretarial Agreement

Under the Administration, Custodian and Secretarial Agreement, the Company has agreed to pay or procure to be paid to the administrator, for its services as administrator, secretary, custodian and registrar, a fee of 0.15% per annum of the Company's funds (as reduced by any redemptions of Ordinary Shares prior to the Redemption Date). This fee is payable annually in advance each year until the termination date, the date of compulsory redemption of the ordinary shares. In addition the administrator is entitled to receive interest earned by the Company on the unpaid element of the fees.

Investment Advisory Agreement

Under the Investment Advisory Agreement, the Company has agreed to pay or procure to be paid to the advisor, for its services as advisor, a fee of 0.6% per annum of the Company's funds (as reduced by any redemptions of Ordinary Shares prior to the Redemption Date). This fee is payable annually in advance each year until the termination date, the date of compulsory redemption of the ordinary shares. In addition the advisor is entitled to receive interest earned by the Company on the unpaid element of the fees.

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

4. SIGNIFICANT AGREEMENTS (CONTINUED)

Distribution Agreement

Under the Distribution Agreement, the Company has agreed to pay or procure to be paid to the Distributors a fee of 0.7% per annum of that portion of the Company's funds that is derived from the subscription amount subscribed for by Subscribers introduced by the Distributor (as reduced by any redemptions of such Ordinary Shares prior to the Redemption Date), or holders of existing issued Ordinary Shares introduced by the Distributor and who elect to remain invested in the Company (as reduced by any redemptions of such Ordinary Shares prior to the Redemption Date), payable in advance on the first Business Day of each year, until the Termination Date.

5. INTEREST INCOME	2014 AUD	2013 AUD
Bank interest	<u>23,642</u>	<u>49,024</u>
6. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS	2014 AUD	2013 AUD
BNP Paribas equity option		
Fair value brought forward	5,177,074	3,781,515
Fair value adjustment for the year	671,178	1,395,559
Fair value carried forward	<u>5,848,252</u>	<u>5,177,074</u>
7. AVAILABLE-FOR-SALE INVESTMENTS	2014 AUD	2013 AUD
Zero Coupon Bonds issued by Barclays plc		
Fair value brought forward	16,697,808	15,961,140
Fair value adjustment for the year	1,219,595	736,668
Fair value carried forward	<u>17,917,403</u>	<u>16,697,808</u>
8. OPERATING EXPENSES	2014 AUD	2013 AUD
Auditor's remuneration	13,186	12,441
Administration fees	30,694	30,694
Distribution fees	142,295	142,929
Investment advisory fees	122,776	122,776
Licence fees	5,738	5,036
Listing fees	2,697	2,468
Sponsorship fees	3,947	3,530
Statutory fees	1,956	1,683
Interest payable	12,202	25,999
Professional indemnity insurance	1,691	1,659
Sundry expenses	1,800	1,784
	<u>338,982</u>	<u>350,999</u>

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following data:

	2014 AUD	2013 AUD
Profit attributable to Ordinary shares:		
Profit for purpose of basic and diluted earnings per share being profit for the year attributable to ordinary shareholders	<u>355,838</u>	<u>1,093,584</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>20,923</u>	<u>20,923</u>
Earnings per ordinary share	<u>17.01</u>	<u>52.27</u>

A weighted average number of shares has been calculated to enable users to gain a fairer understanding of the earnings generated per share through the year. The weighted average has been calculated with reference to the number of days shares have actually been in issue and hence their ability to influence income generated.

10. TRADE AND OTHER RECEIVABLES

	2014 AUD	2013 AUD
Bank interest receivable	8,349	43,035
Prepaid administration fees	11,184	11,184
Prepaid distributor fees	51,690	52,129
Prepaid investment advisory fees	44,738	44,738
Other prepayments	2,729	3,949
	<u>118,690</u>	<u>155,035</u>

11. TRADE AND OTHER PAYABLES

	2014 AUD	2013 AUD
Current		
Audit fee	12,512	11,725
Sponsorship fee	431	-
	<u>12,943</u>	<u>11,725</u>
Non-current		
Interest payable	<u>47,019</u>	<u>34,817</u>

12. SHARE CAPITAL

	2014 AUD	2013 AUD
Authorised:		
10 Management shares of AUD 1 each (2012: 10 shares of US\$1 each)	10	10
999,000 Ordinary shares of AUD 0.01 each (2012: 999,000 shares of US\$0.01 each)	<u>9,990</u>	<u>9,990</u>
	<u>10,000</u>	<u>10,000</u>

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

12. SHARE CAPITAL (CONTINUED)

	2014	2013
	AUD	AUD
Issued and fully paid:		
10 Management shares of AUD 1 each (2012: 10 shares of US\$1 each)	13	13
20,922.691 ordinary shares of AUD 0.01 each (2012: 20,922.691 shares of US\$0.01 each)	285	285
	<u>298</u>	<u>298</u>

No ordinary shares were issued or redeemed during the year.

Ordinary shares are entitled to 1 vote each at a general meeting of the Company. The Ordinary shares may be compulsorily redeemed on the termination date, 26 July 2017. Ordinary shareholders are entitled to receive any dividends or distributions from the Company and any surplus arising on the winding up of the Company after the payment of creditors and redemption of the management shares at their nominal value.

Management shares are entitled to 10,000 votes each at a general meeting of the Company. Management shares may only be owned by The Basket Trust (see note 13) or its nominee. Management shareholders are not entitled to receive any dividends or distributions from the Company nor any surplus arising on the winding up of the Company in excess of the nominal value of the management shares.

13. SHARE PREMIUM

	2014	2013
	AUD	AUD
Balance brought forward	27,366,190	27,385,979
Capitalised launch costs	-	(19,789)
Balance carried forward	<u>27,366,190</u>	<u>27,366,190</u>

14. REVALUATION RESERVE

	2014	2013
	AUD	AUD
Balance brought forward	3,233,154	2,496,486
Revaluation of available-for-sale investments during the year	1,219,595	736,668
Balance carried forward	<u>4,452,749</u>	<u>3,233,154</u>

15. ULTIMATE CONTROLLING PARTY AND RELATED PARTY TRANSACTIONS

The company's immediate controlling party is The Basket Trust, a trust administered by Praxis Trust Limited (formerly Praxis Fiduciaries Limited), and the ultimate controlling party is Praxis Holdings Limited, a company incorporated in Guernsey.

Praxis Fund Services Limited ('PFSL') is deemed to be a related party, as Janine Lewis is a Director of the Company and of PFSL; Chris Hickling is a Director of the Company and an employee of PFSL; and David Stephenson is a Director of the Company and an employee of PFSL. During the year PFSL received AUD 30,694 (2013: AUD 30,694) for their services as administrator. At the year end date administration fees of AUD 11,184 had been paid to PFSL in advance (2013: AUD 11,184).

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

16. FINANCIAL INSTRUMENT RISK FACTORS

The Company is exposed to market risk, credit risk, liquidity risk and capital management risk from the financial instruments it holds. The Company has a fixed modus operandi, as stated in its prospectus, which is to invest its capital in a zero coupon bond and an option on a specified basket of indices, and to retain a certain element of cash to cover expenses to be incurred over the specified period of its life. As a result of this, the Company's flexibility in dealing with the risks associated with these instruments is somewhat limited. However, the risk management policies that are employed by the Company to manage these risks are discussed below:

(i) Market risk

(a) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is not materially exposed to foreign exchange risk as most transactions are in Australian Dollars. The Company's management monitors exchange rate fluctuations on an on-going basis.

The Company had no material currency exposures as at either 30 September 2014 or 30 September 2013.

(b) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk as it invests cash and bank balances at short term interest rates. At 30 September 2014, the Company held cash on a call account of AUD 109,034 (2013: AUD 178,565), which earns interest at a floating rate. The Company held AUD 500,000 and AUD 303,956 on one year and one month fixed deposits respectively (2013: AUD 1,000,000 on one year fixed deposit), which earned interest at fixed rates of 3.20% and 2.68% respectively.

Had these balances existed for the whole of the year, the effect of an increase/decrease of 0.5% in short term annual interest rates would have been an increase/decrease of AUD 4,565 in the post-tax profit for the year (2013: AUD 5,893).

The available-for-sale investments are exposed to fair value interest rate risk. However, whilst changes in market interest rates may give rise to short-term fluctuations in fair value, if the bonds are held to maturity their maturity value is fixed and therefore not subject to interest rate risk.

The Company had no other material interest rate exposures as at either 30 September 2014 or 30 September 2013.

(c) Price risk

Price risk is the risk that the value of the instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The Company's investments at fair value through profit and loss are directly affected by changes in market prices.

Price risk is managed by investing in a European call option on a basket of indices, with an international bank, BNP Paribas. The bank has a Fitch long-term credit rating of A+ (2013: A+).

Price risk is managed by investing in a zero coupon bond, with an international bank, Barclays plc. The bank has a Fitch long-term credit rating of A (2013: A).

The investments at fair value through profit and loss and available-for-sale investments expose the Company to price risk. The details are as follows:

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For the year ended 30 September 2014

16. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(i) Market risk (continued)

(c) Price risk (continued)

	2014 AUD	2013 AUD
European call option with BNP Paribas	5,848,252	5,177,074
Barclays plc Zero Coupon Bonds	17,917,403	16,697,808
	<u>23,765,655</u>	<u>21,874,882</u>

A 10 per cent increase/decrease in the value of the investments at fair value through profit and loss at 30 September 2014 would have increased/decreased the Net Asset Value of the Company by AUD 584,825 (2013: AUD 517,707).

A 3 per cent increase/decrease in the value of the available-for-sale investments at 30 September 2014 would have increased/decreased the Net Asset Value of the Company by AUD 537,522 (2013: AUD 472,804).

(ii) Credit risk

Credit risk arises when a failure by counter-parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the year end date. These financial assets include cash and cash equivalents, debtors, available-for-sale investments and investments at fair value through profit and loss. The Company's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying value or fair value of these instruments.

The Company aims to manage credit risk by holding its securities and cash assets with reputable banking institutions with an investment grade long-term credit rating, ie a Fitch rating in the range AAA+ to BBB-. In the event of any downgrading in the long-term credit rating of any issuer below this level, the Company in its absolute discretion would consider the following courses of action: selling the relevant securities to third party purchasers and reinvesting the proceeds in the purchase of securities of another issuer, such that the new securities would replicate as closely as possible the terms and conditions of the original securities; and transferring cash to another banking institution. The Directors would only seek to sell the relevant securities or transfer cash if they consider, having consulted with the investment advisor, that such would be in the best interests of the Company and its shareholders.

The Company monitors the creditworthiness of its counterparties on an ongoing basis.

The majority of the Company's debtors and prepayments balance consists of prepayments and there is no credit risk associated with these balances.

(iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet financial liability obligations as they fall due, which may cause financial losses to the Company. The Company places its cash and cash equivalents with financial institutions on a short-term basis in order to maintain a high level of liquidity. This ensures that the Company is able to complete transactions in a timely manner, thus minimising the Company's exposure to such losses.

The Board reviews the cash resources of the Company every quarter and ensures that sufficient monies are held on call to meet its short term obligations. At 30 September 2014 the cash on call was AUD 912,990 (2013: AUD 1,178,565), which is considered by the Board to be sufficient to meet all the Company's short term obligations.

The following table analyses the Company's financial liabilities, which will be settled on a net basis, into relevant maturity groupings based on the remaining period from the year end date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

16. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(iii) Liquidity risk (continued)

	Less than 6 months AUD	6-12 months AUD	1 - 5 years AUD
30 September 2014			
Creditors and accruals	12,943	-	47,019
Net exposure	<u>12,943</u>	<u>-</u>	<u>47,019</u>
	Less than 6 months AUD	6-12 months AUD	1 - 5 years AUD
30 September 2013			
Creditors and accruals	11,725	-	34,817
Net exposure	<u>11,725</u>	<u>-</u>	<u>34,817</u>

(iv) Fair value hierarchy

The following tables analyse instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30 September 2014	Level 1 AUD	Level 2 AUD	Level 3 AUD	Total AUD
Investments at fair value through profit and loss	-	5,848,252	-	5,848,252
Available-for-sale investments	-	17,917,403	-	17,917,403
	<u>-</u>	<u>23,765,655</u>	<u>-</u>	<u>23,765,655</u>
30 September 2013	Level 1 AUD	Level 2 AUD	Level 3 AUD	Total AUD
Investments at fair value through profit and loss	-	5,177,074	-	5,177,074
Available-for-sale investments	-	16,697,808	-	16,697,808
	<u>-</u>	<u>21,874,882</u>	<u>-</u>	<u>21,874,882</u>

(v) Capital risk management

The Company's capital comprises the funds it has raised through the issue of share capital.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost to capital.

In order to ensure that the Company will be able to continue as a going concern, the Board continuously monitors forecast and actual cash flows and matches the maturity profiles of assets and liabilities. The Company has no external borrowings.

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For the year ended 30 September 2014

17. POST BALANCE SHEET EVENTS

There were no significant post balance sheet events requiring disclosure in these financial statements.